

**00286**

**1974/01/09**

DECLASSIFIED	
Authority	NND 974570
By	AT NARA Date 9/24/97

REPRODUCED AT THE NATIONAL ARCHIVES

NATIONAL SECURITY COUNCIL

January 9, 1974

TO: WINSTON LORD

FROM: RICHARD SOLOMON *RS*

Attached is a draft on the issue of "confirming the principle of one China." I'll be interested in any reactions or points of difference you might have, and would appreciate an opportunity to see the final version. Not knowing whether you planned to make this a joint memo or whatever, I have left the format for your discretion.

Also enclosed is the analytical piece that suggested a personal message to Chou. I'll do a draft on this shortly, but recommend that this message, along with the Hummel demarche at the technical level, be held up until Ambassador Bruce is back and can have his say about the state of our relations with the PRC.

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 974520  
By AT NARA Date 9/24/97

MEMORANDUM

-X

NATIONAL SECURITY COUNCIL

ACTION

SECRET/SENSITIVE

December 31, 1973

MEMORANDUM FOR: SECRETARY KISSINGER  
FROM: RICHARD H. SOLOMON *RLS*  
SUBJECT: The Current State of U. S. - PRC Relations;  
Parallelism in International Affairs;  
Shaky Bilateral Ties

A number of recent revealing SRF reports, and concurrent developments at our Peking Liaison Office, lead me to summarize the current state of U. S. - PRC relations. Basically, while your discussions with the top Chinese leadership over the past two and one-half years have developed a certain conceptual consensus which now imparts a parallelism to our respective foreign policies, our bilateral ties are developing at best slowly and have uncertain stability for the future. Events of the past six months suggest that strong political and bureaucratic forces within China are limiting the institutionalization of a durable relationship between the U. S. and the PRC. Available evidence suggests Chairman Mao and Premier Chou have found it difficult to get their views on U. S. - PRC normalization accepted both ideologically and operationally by the Chinese bureaucracy, thus raising for the U. S. the question of the survivability of our relations with Peking after Mao and Chou have passed from the scene.

In conclusion, this analysis suggests a number of actions you may wish to take in order to strengthen the development of stronger bilateral ties with the Chinese.

Official PRC Fears of U. S. - Soviet "Collusion"

A recent sensitive SRF report confirms your speculation of last summer that the results of the Brezhnev Summit in June (coupled with Congressional action on the Cambodia bombing question) led to a cooling of Peking's attitude toward us. What is surprising and disturbing about the SRF report (Tab A) is its revelation that the official in the Foreign Ministry who articulated fears about our dealings with the Soviets was one of Premier Chou's closest advisers, and an official directly involved in your discussions with Mao and Chou -- Chang Wen-chin.

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 974520

By AT NARA Date 9/24/97

SECRET/SENSITIVE

2

Last June, Chang assessed the implications of the just-concluded Brezhnev Summit in Washington in an official Foreign Ministry analysis. He concluded that the U. S. had stepped up its collusion with the Soviets, heightening pressure on the world's revolutionary forces. Chairman Mao himself read Chang's report and denounced its conclusion as "rubbish." Previous SRF reporting on this document also indicates that Mao at the same time criticized the Foreign Ministry for bogging down the development of China's new contacts with the U. S. in a sea of daily trivia which could sour the relationship. Mao added that if his officials did not keep in mind the major issues which required accommodation with the U. S., then excessive attention to the minor issues would lead to internal squabbling within the Chinese government.

One immediate outcome of Chang Wen-chin's criticized report was his confession of error in "the application of ideology" and his demotion to Ambassador to Canada. Then, in September 1973 -- after the Tenth Party Congress -- an official Foreign Ministry document was circulated which formally criticized Chang's analysis and reaffirmed the correctness of Mao's "revolutionary line in foreign policy," which was admitted to be a matter of "struggle between the two lines" [of revolution versus "revisionism"] within the Party. The document also stressed that the slogan, "We must liberate Taiwan" had been changed deliberately to, "Taiwan must be liberated" in order to emphasize that China should not push the U. S. on troop withdrawals from the island as this would be advantageous to the Soviets.

The one difficult conclusion that must be drawn from the Chang incident is that even officials closely identified with Chou -- and who presumably are privy to your exchanges with both the Chairman and the Premier -- have doubts about the direction of our policy and the wisdom for the PRC of Mao's pro-U. S. policy. One can only speculate about the questions which may exist in the minds of those officials further removed from the Chairman and Premier. The argument which we by implication attribute to the late Lin Piao -- that China can better preserve her security by mitigating its conflict with the Soviets than by balancing the Russian threat with a closer relationship with the U. S. -- may have more appeal than we are aware, and is likely to have continuing attraction for those who do not share Mao's pathological hatred of the Soviets.

#### The "Sea of Trivia" Which Continues to Impede U. S.- PRC Bilateral Ties

"The above information comes at a time when we have a worrisome record for 1973 of petty difficulties in developing smooth working relations with PRC officials via our Peking Liaison Office, together with indications that the Chinese are not prepared to deepen their exchange contacts or other dealings with the U. S. in a way that would begin to build durable ties between the two countries.

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 970520  
By AT NARA Date 9/24/97

3

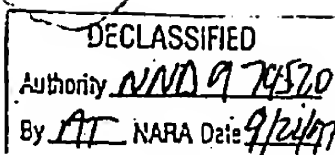
SECRET/SENSITIVE

In a recent cable (Tab B) Ambassador Bruce has written of his "deep concern" with "recent picayune incidents such as refusal to issue temporary duty visas for USLO replacements, obviously exaggerated complaints over the Marine Guard, long delays in answering requests for appointments with officials, and various indications of a marked lack of reciprocity here for our sensitive treatment of PRCLO representatives in the United States." To this evaluation must now be added concern about the implications of the recent PRC demand that we withdraw from USLO one of our most effective young FSOs who was involved not long ago in a fatal traffic accident in which he was not evidently at fault.

In terms of substantive issues, concern should also be expressed about the way the Chinese bureaucracy handled the claims/blocked assets problem. While there was some basis for suspicion of our proposals regarding the mechanics of a settlement of this issue, the ad hominem and uncompromising way in which the ascerbic Lin P'ing (Director of the American Division of the Foreign Ministry) presented the PRC position in the counterpart talks during your November trip to Peking gives little confidence that the Chinese bureaucracy is enthusiastic about promoting U. S. - PRC normalization. Mao and Chou apparently have good reason to be concerned about the Foreign Ministry souring our developing relationship.

In terms of the exchange program, one can only add that available evidence indicates great reluctance on the part of the PRC to develop meaningful, longer term scientific and cultural contacts. They have shown little interest in having additional American cultural groups such as the Philadelphia Orchestra come to China to develop a positive public mood about our new relationship. They have been equally unresponsive to our proposals that they send their scientists or scholars to the U. S. for periods of substantive research. Indeed, one recent SRF report indicates that a plan to send Chinese physicists to American laboratories to do work on basic nuclear science has been scrapped in favor of closer cooperation with European researchers.

There appear to be two reasons for the reluctant and at times self-righteous posture the Chinese have taken in our bilateral dealings -- both related to the continuing unsettled state of PRC domestic politics: One is a long tradition of the bureaucrats and Party cadre to be cautious about appearing "too enthusiastic in support of "rightist" policies. The political struggles of the past two decades have taught them that "the line" always swings back to "the left"; and when it does those who were active supporters of a less revolutionary stand become vulnerable to political attack. The current indications of on-going political factionalism in the wake of the



REPRODUCED AT THE NATIONAL ARCHIVES

SECRET/SENSITIVE

4

Cultural Revolution and the Lin Piao affair -- even though apparently directed against "the left" -- suggest that the political atmosphere within the Chinese bureaucracy would engender caution about actively supporting the policies of aged leaders which eventually may be vulnerable to radical criticism. The second reason is that the current debate in the PRC about Confucius has a strong element of criticism of the intellectual community. U. S.- PRC exchanges involve, above all, China's intellectuals; and it seems likely that exchanges will have to remain at a tenuous level for a considerable period of time, until (if at all) the Chinese sort out a positive role for their scientists and academics that will permit this "bourgeois" element of their society to have greater contact with the "outside."

The one area of our bilateral relations where progress has outpaced expectations is trade. Even here, however, we have received reports of frustration on the part of Chou En-lai about conservative and unimaginative economic policies of the part of the bureaucracy which have hindered the growth of China's export potential. This situation led the Premier last fall to sack his Minister of Foreign Trade and replace him with a man presumably more responsive to official guidance.

#### What Is To Be Done?

This analysis has been based on the assumption -- now strengthened by the SRF report at Tab A -- that Chairman Mao and Premier Chou continue to encounter difficulties in bringing their bureaucracy fully behind the process of U. S.- PRC normalization. What, if anything, can we do about such a situation? While obviously we are in a position of largely having to follow the lead of the Chairman and the Premier, there are a number of initiatives we could take which might help them to confront bureaucratic foot-dragging in their own house and identify a larger slice of their top leadership with the policy of U. S. - PRC normalization than has been the case thus far:

-- State is now considering a demarche to the Chinese Liaison Office at the Assistant Secretary level raising our concern about the overall trend of developments regarding our Liaison Office in Peking. I suggest that this would be most effective if done in parallel with a personal message from you to the Premier, transmitted via Ambassador Bruce, which indicated in general terms your concern about recent trends and their implication for both the workings of the Liaison Office and more generally for the prospect of normalized dealings between the U. S. and PRC which will stand the test of time.

-- The PRC is planning to send a trade delegation to the U. S. this spring. You might personally invite an important high political official --

SECRET/SENSITIVE

DECLASSIFIED

Authority NND 979570  
By AT NARA Date 9/24/97SECRET/SENSITIVE

5

either Vice Premier Li Hsien-nien, or Minister of Foreign Trade Li Ch'iang -- to head up this delegation.

-- During your next trip to China you should seek opportunities to meet with a broader range of PRC officials than has been the case in the past. This might include a trip to several key provincial cities where you could meet with key regional leaders.

Recommendations:

1. That we prepare a draft message from you to Premier Chou expressing your personal concern about prospects for insitutionalizing normalized U. S. - PRC relations (to be coordinated with any State demarche to PRCLO about recent developments regarding the functioning of USLO):

Approve JK Disapprove \_\_\_\_\_

2. That we take steps to explore the possibility of inviting a high-level PRC official to head the trade delegation which will visit the U. S. this coming spring:

Approve HK Disapprove \_\_\_\_\_

3. That we include in planning for your next trip to the PRC events which would hold the possibility of meeting with a broader range of Chinese officials, perhaps including a tour of several key provincial cities.

Approve \_\_\_\_\_ Disapprove ✓ Let's wait

*There is to be no state  
demarche without my clearance*

SECRET/SENSITIVE

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority *NND 970570*

By *AT* NARA Date *9/24/97*

TOP SECRET/SENSITIVE

MEMORANDUM FOR:

SECRETARY KISSINGER

FROM:

SUBJECT:

"Confirming the Principle of One China": Next  
Steps in the Evolution of U. S. - PRC-ROC Relations

During your November 1973 trip to Peking, the manner in which the Taiwan issue was discussed by Chinese leaders implied that the PRC has come to simplify the actions it expects on our part regarding reduction of U. S. ties with Taiwan as a basis for fully normalizing U. S. - PRC relations. This was formally expressed in the phrase which the Chinese added to our draft Communique that "the normalization of relations between China and the United States can be realized only on the basis of confirming the principle of one China." This formulation seems to give us considerably more institutional elbow room than was implicit in the Shanghai Communique as we seek at once to fulfill our commitment to move toward full diplomatic relations with Peking while not precipitously abandoning our existing commitments to the Republic of China on Taiwan.

This memorandum summarizes what appear to be Peking's current assumptions about the Taiwan issue in the normalization process. It also notes recent indications of a flexibility of mood among key ROC officials about our future relations with both Taipei and Peking, and suggests the end result we may want to work toward which would give institutional and political expression to "confirmation of the principle of one China." In

TOP SECRET/SENSITIVE



DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 9 79570  
By AT NARA Date 9/24/77

TOP SECRET/SENSITIVE

2

conclusion, a number of specific actions are suggested for the coming six months or so which would move us closer to the goal of fully normalized U. S.- PRC relations carried out in such a way that we would neither appear to be "selling-out" Taiwan's fundamental security and economic interests nor violating the principle of "one China."

Peking's Current Relaxed Mood About Taiwan: The U. S. as a "Bridge" to Future Reconciliation

Peking's current orientation toward the Taiwan issue continues to be derived from its primary concern about Soviet expansionism and encirclement. As we lower our profile in Asia, the PRC does not want Moscow to replace Washington as the guarantor of the ROC's security -- a development which would potentially give the Russians access to a strategically located island territory from which they could threaten PRC security and Chinese sea communications. For Peking, gaining direct political and economic control of Taiwan has acquired low priority in the face of the continuing Sino-Soviet confrontation. Excluding a hostile foreign presence from the island and staking out a legal and political position which clearly identifies Taiwan as Chinese territory are Peking's primary goals under present circumstances. This moderated position on Taiwan's "liberation" has been reflected in PRC media in the past two years as talk of "peaceful liberation" has been modified to appeals for "peaceful unification" and more recently "peaceful settlement" of the Taiwan issue.

TOP SECRET/SENSITIVE

DECLASSIFIED  
Authority NND 979570

REPRODUCED AT THE NATIONAL ARCHIVES

TOP SECRET/SENSITIVE

3

Events of the past three years have substantially moved Peking to attainment of these basic goals: Its admission to the U.N. along with the ROC's expulsion, recognition by more than 40 states who concurrently dropped ties with Taipei, and normalization of relations with Japan, have substantially isolated Taiwan as a separate legal entity. (The island's economic ties abroad endure, however.) Improved U.S.-PRC relations, and our accelerating troop withdrawals, have defused the island as an immediate security problem for Peking. Ironically, however, the PRC is now confronted with the dilemma that further isolation of Taiwan from the world economy, or from U.S. security protection, may destabilize the current situation, either impelling Taipei to turn elsewhere for guarantees to its security (the Soviets being the only viable alternative to our defense relationship), or creating economic chaos which would discredit the Nationalists and perhaps generate a more Taiwan-oriented leadership which would seek independence for the island -- or just producing political chaos which would leave no effective authority on the island which could be dealt with in future negotiations.

PRC fears of active Soviet political and military intervention in the Taiwan situation frankly seem exaggerated. The costs to the Russians in terms of on-going political enmity/with China which would come with and military confrontation replacing the U.S. presence on the island should be a substantial deterrent to decision-makers in Moscow. All the same, as your talks with Chinese

TOP SECRET/SENSITIVE

DECLASSIFIED	
Authority	NND 974570
By	AT NARA Date 9/24/77

REPRODUCED AT THE NATIONAL ARCHIVES

SECRET/SENSITIVE

4

leaders have indicated, their fears of Soviet intentions seem genuine. Upon occasion these fears are given a bit of reality by Russian game-playing, such as the 1969 visit to Taipei of the journalist/intelligence agent Viktor Louis, or the February 1973 transit of the Taiwan Strait by two Soviet warships.

More recently, in mid-December the Russians invited a Republic of China citizen to Moscow and asked him to convey to Premier Chiang Ching-kuo the message that while the USSR accepts the principle of one China, it does not recognize the legitimacy of the Mao government and is the interested in uniting with all anti-Mao forces (see/cable on this Soviet-ROC contact -- which Premier Chiang promptly informed us about -- at Tab A.) Moscow appears to have made this move in an effort to draw out the leadership on Taiwan, heighten suspicion of our intentions, and to keep Peking nervous about the implications of its continuing resistance to some form of USSR-PRC reconciliation. We doubt, however, that the Soviets are actively seeking to move into the Taiwan situation, even though they may continue to test the water, stir up some mud, and keep options open.

As is suggested in the conclusion, we should turn this incident to our advantage -- and to that of the ROC -- by informing Peking of the approach. This will help to keep an edge on those anxieties in Peking which are used to rationalize a soft line toward us on the Taiwan question, and which thus give us more room for maneuver as we work out future relationships with both Peking and Taipei.

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 979570

By AT NARA Date 9/24/97

TOP SECRET/SENSITIVE

5

In sum, as we move toward full normalization with the PRC, we should proceed from the assumption that Peking sees us as a useful "bridge" between the island and the mainland, excluding the Russians, stabilizing the economic and political circumstances of the ROC, and sustaining conditions which may eventually lead to a negotiated reconciliation between Taipei and Peking. This implies that Mao and Chou will tolerate our maintaining substantial political, economic, and perhaps even military ties to Taiwan, as long as we meet certain requirements of form and legal precedent which will "confirm the principle of one China." Within this context we should work toward a new relationship with both Peking and Taipei which will minimize the chances of being caught in the future between the two Chinese states if active hostilities should ever be initiated, or of retaining the kind of presence on the island which will make our new relationship with Peking (and those PRC leaders who sustain it) vulnerable to criticism from radical voices that "U. S. imperialism" is standing in the way of a reconciliation between island and mainland.

#### The Mood in Taipei

Virtually all SRF reporting from Taiwan in recent months has indicated a general mood of resigned expectation that before long the U. S. will establish full diplomatic relations with the PRC. The only questions which seem to remain in the minds of both officials and the general population are when this development will occur, and the terms which Peking will demand

TOP SECRET/SENSITIVE

DECLASSIFIED	
Authority	NND 970520
By	AT NARA Date 9/24/97

REPRODUCED AT THE NATIONAL ARCHIVES

TOP SECRET/SENSITIVE

6

for it. This mood of expectancy, it should be noted, has not been accompanied by a sense of panic. A feeling of resignation has been buoyed to some degree by the economic vitality which the island has shown in the past two years despite the U. S.- PRC rapprochement, and the indications that even in the face of Taiwan's now substantial diplomatic isolation the island has been able to sustain its internal status quo.

ROC officials, while apparently resigned to the current trend of our policy, nonetheless continue to hope that some unforeseen development -- such as a new political crisis on the mainland -- will interrupt the momentum of U. S. policy. In an official aide memoire given to us by ROC Foreign Minister Shen Chang-huan just before your November trip to Peking (Tab B), the U. S. was advised to follow a "steady course" in the face of the expected "upheavals" on the mainland which you had suggested to Ambassador James Shen were "bound to occur" in a few years. While the document called attention to the "irreparable damage" done to the ROC's international position by the U. S. move toward Peking, nothing explicit was said about either the consequences of our establishing diplomatic relations with Peking or of anticipated damage to Taiwan's internal security or economy, thus implying an ability to tolerate the impact of U. S.- PRC normalization on Taiwan's domestic circumstances. More recently, Premier Chiang in a National Assembly speech criticized "small politicians" who were making "improper statements" about Taiwanese independence from the mainland.

TOP SECRET/SENSITIVE

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 9 74520  
By AT NARA Date 9/24/97

6a

TOP SECRET/SENSITIVE

He asserted they would be "thoroughly defeated" if they continued to tout such ideas. While the Premier may have been primarily trying to maintain discipline in his own house, his critical comments suggest that he is not actively trying to preserve the independence option.

ROC leaders thus seem to have sustained a basic faith (derived in part from their own powerlessness and lack of any clear alternative) that we will be an honest broker for them in working out with Peking an arrangement for the future which will sustain Taiwan's autonomy in fact if not in

TOP SECRET/SENSITIVE

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 979570

By AT NARA Date 9/24/97

7

TOP SECRET/SENSITIVE

name. They seem able to adjust to major changes in formal relations as long as their internal economic and political reality is not affected in a substantial way. This point of view was recently expressed by former Foreign Minister Chow Shu-kai in a private conversation with an American journalist. Chow implied that Taiwan could tolerate U. S. diplomatic recognition of Peking and even abrogation of the Mutual Security Treaty as long as we did not take concurrent actions which hurt the island's economy (such as denying Taiwan's exports MFN status) or preventing the island from maintaining a self-defense capability (see Tab C).

Probably the most delicate diplomatic problem we face in making further progress on the China issue is engaging the leadership of the ROC in discussions relating to new institutional arrangements which would "confirm the principle of one China," and using our good offices to enable Peking and Taipei to reach either a tacit or explicit consensus about the island's future. Suggestions about how to proceed in this area are included in the conclusion of this analysis.

#### The Shape of Our Future Relations with Peking and Taipei

In terms of the preceding analysis, the following are the major aspects of our future relations with the PRC and ROC which would seem to "confirm the principle of one China":

1. Diplomatic relations. At the time we move to recognize the PRC and establish full diplomatic relations, we should transform our embassy

TOP SECRET/SENSITIVE

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 974520

By AT NARA Date 9/24/97

SECRET/SENSITIVE

8

in Taipei into a consulate general. While consular relations will sustain diplomatic privileges and immunities for our diplomats in Taiwan and legal protection for American citizens, this type of relationship leaves ambiguous the precise status of the entity we were maintaining relations with. This is probably a more effective "bridging" relationship holding the island to "China" than a trade office or liaison office, two institutional alternatives which might be used to sustain our presence on Taiwan. Consular relations will involve minimal changes in our current ties with Taiwan, and thus will probably be preferred by ROC authorities to more ambiguous arrangements such as liaison or trade offices.

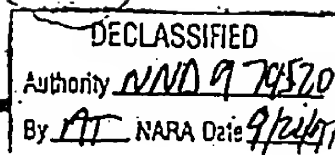
This form of institutional change might be accompanied by a statement in a U. S. - PRC communique announcing the establishment of formal diplomatic relations which explicitly indicated we were "confirming the principle of one China":

The U. S. side, consistent with its position expressed at the end of World War II that Taiwan should be restored to China, will maintain consular relations with authorities on the island.

This formulation -- only one of a number which should be considered as a basis for negotiation -- would indirectly reaffirm the Roosevelt Administration's commitment in the Cairo (1943) and Potsdam (1945) declarations that Taiwan "shall be restored to the Republic of China," while leaving ambiguous the exact nature of the "authorities" on Taiwan we were sustaining relations with. For those journalistic minds who would publicly inquire whether this formula was not really a masked "two China" solution to the

TOP SECRET/SENSITIVE





REPRODUCED AT THE NATIONAL ARCHIVES

TOP SECRET/SENSITIVE

9

Taiwan question, we could state publicly that, consistent with our position expressed in the Shanghai Communique, we look forward to a peaceful resolution of the remaining differences between the PRC and Taiwan by the Chinese themselves.

II. Military relations. According to the lawyers, our mutual defense Treaty with the Republic of China will automatically lapse when we establish diplomatic relations with Peking. In addition, there may be legal problems about sustaining FMS credits to Taiwan -- which we are now committed to do through FY 1978 in connection with the F-5E co-production scheme. As well, there are political issues, both pro and con, related to sustaining a defense relationship with an "old friend" which we no longer recognize in a legal sense. We can attempt to meet these issues in a number of ways:

-- We should seek from PRC authorities some form of public commitment to a "peaceful resolution" of the Taiwan situation. While no nation can be expected to give a blanket non-use-of-force commitment regarding the recovery of what it considers its terra irridenta, Peking might well see its interests served by a public declaration that, "As long as the authorities in Taiwan do not resort to such traitorous acts as declaring the island's separation from China or cooperating with a hostile foreign power to threaten the security of the motherland, we look forward to a peaceful solution to the question of the reunification of Taiwan Province with the People's Republic of China." Such a statement should be part of a communique issued at the time we establish full diplomatic relations.

TOP SECRET/SENSITIVE

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 974570

By AT NARA Date 9/24/97

10

TOP SECRET/SENSITIVE

-- Peking may demand that we let the Mutual Security Treaty and other military relations (such as the Taiwan Defense Command) lapse with full normalization. If we negotiated the above-type of non-use-of-force statement in return for elimination of the MST, we could claim that, in effect, Peking's commitment to "peaceful liberation" was a more effective guarantee to the island's future security than all the weaponry we might supply. This type of arrangement would represent the clearest shift in our relations between the island and mainland, leaving no institutional tie or residual public defense commitment which might at some future time drag us back into the unresolved civil war. At the same time, there would be a limited measure of domestic criticism that we had "abandoned our old friend" after all; and authorities on Taiwan might feel sufficiently threatened by the lapse in our security presence to more actively seek protection elsewhere.

A number of steps might be taken to deal with such problems as part of an overall settlement of the Taiwan situation with Peking:

- : Reach an understanding with the PRC that we would continue to sell defensive military equipment to Taiwan on a cash basis.
- : Have Congress pass a resolution sustaining our commitment to the defense of Taiwan even in the absence of a formal security treaty. (It is questionable, of course, whether the present Congress would support such a commitment.)

: Maintain a small military and intelligence liaison cadre (as successors to the Taiwan Defense Command and our NSA Comint

TOP SECRET/SENSITIVE

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 974520

By AT NARA Date 9/24/97

11

TOP SECRET/SENSITIVE

operation) on the island as a visible symbol of our continuing involvement in the island's security.

Such residual expressions of the U.S. defense relationship with the ROC would help reassure the leadership and population on Taiwan, and sustain a "blocking" presence against Soviet influence. As such, these remnant security links might be tolerable to Peking. The problems they hold for us are a lingering defense relationship with the island which future Administrations may not wish to face, and a residual U.S. presence on security matters which might come to jeopardize our relations with Peking through criticism from resurgent radical elements in the leadership that we in fact were sustaining "two Chinas."

#### Economic Ties

Taiwan's economy continues to expand with considerable vitality -- a situation related largely to Japanese and American trade and investment. The fact that the economy has continued to grow despite the break in formal relations with Tokyo and our closer ties with Peking has been a major factor in stabilizing Taiwan's response to its changing circumstances over the past two years. The PRC did not press the Japanese for a substantial alteration of its economic relations with the island as a price for normalization, and we should assume that Peking will continue to find our economic presence tolerable if not desirable as a stabilizing influence. They can assume that

TOP SECRET/SENSITIVE

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 9 74320  
By AT NARA Date 9/24/97

TOP SECRET/SENSITIVE

12

our capital investment on the island will ultimately redound to the benefit of the mainland economy, while in the short run it prevents panic on the island which would very likely have undesirable consequences.

Our economic relations with Taiwan will not be substantially affected by formal recognition of the PRC. Exim Bank financing of our exports to the island will still be possible, although the Foreign Assistance Act would prohibit us from continuing to insure U. S. investments there. We should explore the legal ramifications of recognition of the PRC on MFN status for Taiwan's exports to the U. S.

In political terms, we should reach an understanding with Peking that sustaining our economic ties with the island is in our mutual interest -- again, for the "bridging" and stabilizing effects such links would have. It may be that the most mutually satisfactory way for the island and mainland to begin to reestablish contacts would be through limited trading relations (perhaps mediated through the Kaohsiung free trade zone in the south of Taiwan). We should indicate to the PRC our favorable attitude toward such commercial ties, although without appearing to push either side in this direction.

#### Mediating a Peking-Taipei Reconciliation

If the above elements define the major dimensions of our post-recognition relations with the PRC and Taiwan, the operational question is how all three parties will move toward such an end. In the short run --

TOP SECRET/SENSITIVE

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 974570

By AT NARA Date 9/24/97

P SECRET/SENSITIVE

13

while Peking and Taipei have not established direct contact -- we will play a catalytic role, working out future arrangements with Peking that meet our interests and those of the ROC as we see them. Before long, however, the logic of circumstances will increasingly put us in the role of middleman. The leadership in Taipei continues to find it politically more acceptable to have us impose a future on them than to take the risks of either establishing a direct dialogue with Peking or moving toward independence or a relationship with the Soviets.

At some point, however, either Peking or Taipei is likely to ask for our assistance in precipitating direct contact and brokering the evolution of a new relationship. Our own (antecedent) negotiations with Peking are likely to have set the parameters of Taiwan's future status prior to direct contact; and if and when such contact occurs we should play an aloof but supportive role in stabilizing a relationship which in fact sustains the island's autonomy while in principle affirming that Taiwan is part of "China." If Peking and Taipei do reach some direct agreement on the island's future, we may wish to "ratify" the understanding in a public expression of support issued in concert with PRC authorities (and perhaps those of the ROC). This would be one way of helping to ensure that an agreement reached with pragmatic authorities in Peking would stick for subsequent generations of leaders.

Our potential problem areas will be either coping with some future radicalized leadership in Peking which feels that it must establish direct control over the island, or dissuading a more "Taiwanized" leadership on

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 974570

By AT NARA Date 9/24/77

TOP SECRET/SENSITIVE

13a

the island from going off in the direction of independence. At present, however, such alternatives do not appear likely relative to a tacit stabilization of present circumstances or some form of contact.

TOP SECRET/SENSITIVE

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 979570  
By AT NARA Date 9/24/77

TOP SECRET/SENSITIVE

14

Next Steps

The following steps seem most appropriate in moving us toward the end result discussed above:

-- We should inform the PRC in a low-key way about the recent Soviet contact with the ROC citizen. (We are in the process of drafting a personal message from you to Premier Chou covering a number of topics, this included. It will be sent to you for clearance of course,)

-- We will be instructing Ambassador McConaughy to notify ROC Premier Chiang by the end of January about our forthcoming military redeployments from Taiwan. (Our present plan is to do this in as routine a manner as possible, without getting into questions of changes in our future political or institutional relations with either Peking or Taipei. Discussion of such matters should be deferred until you have reached a consensus about the shape of the future with PRC leaders.)

-- We should now initiate technical-level studies designed to confirm that there are no unforeseen legal pitfalls to the institutional changes in our diplomatic, military, and economic relations with both the island and mainland proposed in this analysis. Because of the sensitivity of these questions, such studies should be done in a low-key, compartmentalized manner, coordinated by SP/C with concurrence by the Assistant Secretary and NSC.

-- Following completion of the technical studies, we should put together a negotiating package on our future relations with Peking and

TOP SECRET/SENSITIVE

DECLASSIFIED

REPRODUCED AT THE NATIONAL ARCHIVES

Authority NND 9 79570  
By AT NARA Date 9/24/77

TOP SECRET/SENSITIVE

15

Taipei for discussion with Premier Chou on your next trip to China.

Given the issues at hand, it is difficult to imagine that they can be discussed with anyone except the Premier or Chairman. You may, however, wish to have certain preliminary exchanges of view either with Ambassador Huang Chen (when he returns -- whenever that may be) or with Premier Chou via Ambassador Bruce.

-- Once you have reached an understanding with the PRC on terms for "confirming the principle of one China," we will be in a position to begin the delicate process of building a consensus with Premier Chiang about future institutional changes as they effect the ROC. The exact manner in which this would be done will depend upon the terms of agreement with Peking and contextual factors of the moment.

*RS* Richard H. Solomon/ January 8, 1974

TOP SECRET/SENSITIVE